

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2646-01  
Bill No.: #SB 839  
Subject: Taxation and Revenue - Sales and Use; Tobacco Products  
Type: Corrected  
Date: January 26, 2004  
# Correct Bill Number

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$119,112,875	\$237,600,000	\$236,900,000
<b>Total Estimated Net Effect on General Revenue Fund*</b>	<b>\$119,112,875</b>	<b>\$237,600,000</b>	<b>\$236,900,000</b>

\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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### **FISCAL ANALYSIS**

#### **ASSUMPTION**

**Department of Revenue (DOR)** officials state this legislation proposes to the voters, an increase of cigarette tax from 17 cent/pack to 57 cents/pack of 20 cigarettes and an increase in other tobacco products tax from 10% of the manufacturer's invoice to 33.5% of the manufacturer's invoice. This will have a minimal impact on the Division of Taxation.

The Division of Taxation will need to revise forms and programs (requiring less than an hour of programming), and mail 230 notification letters to licensees at a cost of \$62. DOR will administer and collect the additional tax with existing staff.

Officials from the **Office of Administration, Budget and Planning (BAP)** assume this proposal, subject to voter approval, would increase the state cigarette tax from 17 to 57 cents per pack of 20 cigarettes and increase the Other Tobacco Products (OTP) tax from 10% to 33.5% of the wholesale price.

ASSUMPTION (continued)

**Revenue Impact  
(millions of dollars)**

<u>Fiscal Year</u>	<u>Cigarette Tax</u>	<u>OTP Tax</u>
2005	\$105.7	\$13.5
2006	\$209.3	\$28.3
2007	\$207.2	\$29.7

Assumptions:

1. The tax increase becomes effective December 1, 2004 resulting in a one-half year impact in Fiscal Year 2005.
2. The increased cigarette tax results in a 16% price increase which in turn results in a 6.4% decline in cigarette sales, ceteris paribus.
3. OTP sales are assumed to increase 5% in Fiscal Year 2005 and subsequent years. No attempt is made to estimate the impact that an increased tax would have on OTP sales.

Officials from the **Secretary of State (SOS)** assume statewide newspaper publication of constitutional amendments cost approximately \$1,161 per column inch based on estimate provided by the Missouri Press Service x 3 for multiple printings as required by the Constitution and state statute = \$3,485 per column inch. SOS estimates the total number of inches for this amendment to be 25 inches, which includes title header and certification paragraph. \$3,485 x 25 inches = \$87,125.

Since this legislation is subject to voter referendum, **Oversight** assumes this proposal would have no state fiscal impact without voter approval. **Oversight** assumes the proposal would be on the ballot for the first Tuesday in November 2004.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
<b>GENERAL REVENUE FUND</b>			
<u>Income</u> - General Revenue			
Increase in cigarette tax	\$105,700,000	\$209,300,000	\$207,200,000
Increase in OTP tax	<u>\$13,500,000</u>	<u>\$28,300,000</u>	<u>\$29,700,000</u>
Total Income - GR	\$119,200,000	\$237,600,000	\$236,900,000
 <u>Cost</u> - Secretary of State			
Publication costs	<u>(\$87,125)</u>	<u>\$0</u>	<u>\$0</u>
 <b>TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*</b>	 <b><u>\$119,112,875</u></b>	 <b><u>\$237,600,000</u></b>	 <b><u>\$236,900,000</u></b>

\* This proposal is permissive. Voter approval would be required before fiscal impact would be realized.

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

#### FISCAL IMPACT - Small Business

Small businesses that sell cigarettes and other tobacco products would be expected to pay/collect the increased tax as a result of this proposal.

#### DESCRIPTION

This proposal increases the cigarette tax to twenty-eight and one-half mills per cigarette, or fifty-seven cents per pack. This act also increases the tax on tobacco products other than cigarettes to thirty-three and one-half percent. This is a forty cent per-pack increase to cigarettes and a twenty-three and one-half percentage point increase to tobacco products.

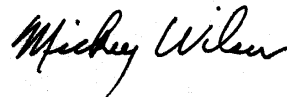
DESCRIPTION (continued)

The increased revenue from these two tax changes shall be deposited in the General Revenue Fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Office of Administration  
    Budget and Planning  
Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 26, 2004